

## Physicians and Dentists – Unique Needs and Concerns

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Physicians and dentists have some of the most unique needs and financial concerns among the various types of clients that advisors work with. These clients understandably have long educational training periods, during the course of which they often accumulate high levels of debt before entering the work force and becoming a significant wage earner. This can create problems, because by the time they finish school and start making money, they are often older and may have families. This delay in income while accumulating debt can create issues down the road, as many first-year physicians and dentists see their large paycheck and immediately jump right into expensive housing, travel, and other discretionary expenses like luxury autos, country clubs, or other sports or hobbies before they have built up their savings.<sup>1</sup>

Since many of these physicians and dentists have families, another costly expense more commonly associated with them is private education for their kids. In the United States, only about 10 percent of people send their children to private school over public schools, and while the exact number changes by state and region, this number goes up to around 25% on average among wage earners with a household income of \$200,000.<sup>2</sup> In our experience physicians, dentists and other people with advanced degrees often fit into this level of pay and are willing to make the sacrifice of paying for private education for their kids in hopes they will get into good colleges and possibly follow in their footsteps. The cost of private school can be well above \$20,000<sup>3</sup> per year, per child, or more in many metropolitan areas, underscoring how significant of an investment private education can be.<sup>4</sup>

In terms of saving for retirement, there are other hurdles that these clients will need to face as well. For example, while physicians have a lower divorce rate than many professions, statistics still suggest about 25% of their marriages end in divorce.<sup>5</sup> At the same time, they also have a high percentage of non-working spouses and having only one income in a household generally requires a larger percentage of the income to be spent on fixed expenses, leaving less available to save for retirement.

Another thing often overlooked regarding physicians and dentists is the nature of their practice and the actual work they perform requires them to be on their feet for long hours seeing patients or performing surgical procedures. Understandably, this can be physically demanding and in the long-term can exacerbate their overall levels of stress. Similarly, their professions require a high level of mental acuity as well, which together increases the risk of them not being able to do their job effectively during the period in which they should be accumulating income. This increases their need to protect their income by purchasing disability insurance coverage. Additionally, they may have increased out of pocket expenses for supplemental

malpractice insurance. Both types of insurance can create significant cost and blindside many clients. Whatever the case, physicians and dentists have a plethora of unique challenges that financial advisors need to be aware of. By understanding these challenges and how to overcome them, advisors can better serve their physician and dentist clients.

<sup>1</sup> Phil DeMuth, *How Should Doctors Invest? New Study Weighs In*, (Forbes, 2014), <https://www.forbes.com/sites/phildemuth/2014/03/11/how-should-doctors-invest-new-fidelity-study-weighs-in/#77b674904ab0>

<sup>2</sup> Ibid.

<sup>3</sup> Ibid.

<sup>4</sup> Abby Jackson, *There are New York City private schools that cost more than college*, (Business Insider, 2017), <http://www.businessinsider.com/private-schools-manhattan-cost-more-than-college-2017-9>

<sup>5</sup> Dan P Ly, Seth A Seabury, Anupam B Jena, *Divorce among physicians and other healthcare professionals in the United States: analysis of census survey data*, (BMJ, 2015), <https://www.bmj.com/content/350/bmj.h706>

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